GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1817
ANSWERED ON:10.03.2017
Skill Development in SMEs Lending
Udhayakumar Shri M.

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has asked banks that they should build up skill in lending to retail and Small and Micro Entrepreneurs (SMEs) to reduce risk and if so, the details thereof;

(b) whether by linking the exposure limit to capital, RBI proposes to prevent smaller banks from giving chunky loans and if so, the details thereof;

(c) whether the gross Non-Performing Assets (NPAs) of Public Sector Banks (PSBs) stand at 11.3% of their loans due to their exposure to large corporates and if so, the details thereof; and ;

(d) whether the private banks have an NPA ratio of 2.8 per cent due to their focus on retail and SMEs and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Reserve Bank of India has stated that banks have been advised to prepare a well-defined loan policy approved by their Board of Directors which should lay down exposure limits to individual/group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies etc., as management of loan sanctioning / recovery activity in a bank is essentially an internal management function.

In order to address concentration risk, Reserve Bank has prescribed exposure limits vide circular DBR.No.BP.BC.43/21.01.003/2016-17 dated December 01, 2016 on "Large Exposures Framework" to reduce concentration risk in specific companies/sectors.

(c) & (d): The gross Non Performing Assets (NPAs) of Public Sector Banks (PSBs) stand at 11.82% and of corporate lending NPA ratio at 12.35% as on 30.09.2016. The gross NPA ratio of Private Sector Banks is 3.20% and on retail and SMEs at 2.88% as on 30.09.2016.

****